

Blueprint Maryland

THE STATE'S HOUSING ECONOMY IN REVIEW ISSUE 5 VOLUME 1

Home Prices Surge in Maryland

Home prices are on the rise in Maryland's urban, suburban, exurban and rural communities. In March, median home prices ranged from a low of \$185,475 in Maryland's urban areas to \$213,833 in suburban areas, \$65,800 in exurban areas and \$236,339 in rural areas.

Montgomery County homes were the most expensive statewide in all urban types. The median home prices in this county ranged from a low of \$376,209 in urban areas to \$499,593 in rural areas, \$575,761 in suburban areas, and \$945,725 in exurban areas. The least expensive homes are in the urban areas of Allegany County (\$55,316) and in the

suburban, exurban and rural areas of Somerset County (\$46,975, \$53,178 and \$56,257, respectively).

Except for Somerset County, median home prices have risen significantly from January 2000 to March 2004. During this period, home prices for all urban types have appreciated by an average of 52 percent, with Worcester County having the fastest rate of growth of 172 percent and Allegany County registering the slowest rate of growth of 15 percent.

According to a statistical model developed by the Maryland Department of Housing and Community Development's Office of Research, the surge in home prices in Maryland are due to gains in household income,

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National Economic Digest

Growing National Economy

Data from the U.S. Bureau of Economic Analysis shows that the real Gross Domestic Product (GDP) grew at an annual rate of 4.2 percent in the first quarter of 2004. Growth appears to be broad based as consumer spending, equipment and software, fixed investment, and federal government spending all advanced. Weaknesses were concentrated in consumer durable goods (such as auto sales), investment in business structures, and state and local spending.

Real personal consumption expenditures increased by 3.8 percent in the first quarter of 2004, compared with an increase of 3.2 percent in the fourth of 2003, due to tax refunds and strong income growth. Real disposable income

increased 4.3 percent in the first quarter of 2004 compared to 0.5 percent growth in the last quarter of 2003.

Real residential fixed investment advanced, but at a much slower pace as it increased 2.1 percent in the first quarter of 2004, compared to an increase of 7.9 percent in the fourth quarter of 2003. Real nonresidential fixed investment increased 7.2 percent in this quarter while equipment investment and software spending increased 11.5 percent due to healthy corporate balance sheets and improvements in sales.

Real federal government consumption expenditures and gross investment increased 10.1 percent in the first quarter, compared to an increase of 0.7 percent in the last quarter. The increase in federal government spending was due to

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Affordable housing is a top priority of my Administration. I still remember the joy my parents felt when they bought their first home—the same one in which they live today. Unfortunately, the high cost of housing in Maryland has made it difficult for many families to purchase their first home, a key factor in building personal wealth. To address this issue, the State launched the More House 4 Less homeownership initiative for CDA's Maryland Mortgage Program. Call 1-800-638-7781 or visit www.morehouse4less.com for details.

— ROBERT L. EHRLICH, JR., Governor, State of Maryland

Home prices have appreciated significantly across Maryland. Except for Somerset County, median home prices have risen sharply from January 2000 to March 2004. During this period, home prices have appreciated by an average of 52 percent with Worcester County having the fastest rate of growth of 172 percent and Allegany County registering the slowest rate of growth of 15 percent.

...Home Prices Surge from cover

increases in the volume of home sales, expansion of the job market, declines in mortgage interest rates, and reductions in the inventory of existing homes on the market. Together, these variables account for about 87 percent of the variations in home prices. Every dollar increase in household income adds about \$3.88 to the median housing price. Home prices increase by \$4.94 for every additional housing unit sold in Maryland. Every 1 percent increase in the rate of job creation causes the median housing price to increase by \$4,967. Each 100 basis points decline in average mortgage rate increases home prices by \$11,811, and every housing unit dropped from the inventory of existing homes for sale increases home prices by about \$0.97.

Historical data demonstrates that from 2000:1 to 2004:3, the 47.8 percent increase in Maryland median home prices was influenced by a 12.1 percent increase in median household income, a 120 percent increase in the sale of existing homes, a steady job growth of 4.6 percent, a 50.7 percent decrease in the availability of existing homes for sale, and a decline in average 30-year fixed mortgage rates from 8.21 to 5.45 percent. ■

Historical Changes in Variables Influencing Home Prices

Variable	Change 2000:1 - 2004:3
Median Home Price	47.8%
Median Household Income	12.1%
Existing Home Sales	120.0%
Job Growth	4.6%
30-Year Mortgage Rate	-32.1%
Existing Housing Inventory	-50.7%

According to a statistical model developed by the Department's Office of Research, the surge in home prices in Maryland are due to gains in household income, increases in the volume of home sales, expansion of the job market, declines in mortgage interest rates, and reductions in the inventory of existing homes on the market.

Median Home Prices by Urban Type

March 2004

Jurisdiction	Urban	Suburban	Exurban	Rural	Average Change in Price 2000:1-2004:3
Allegany	\$ 55,316	\$ 92,275	\$ 93,967	\$ 78,324	15%
Anne Arundel	218,488	297,392	371,725	375,230	53%
Baltimore	153,053	243,439	346,265	271,759	35%
Baltimore City	87,386	134,564	n/a	n/a	26%
Calvert	182,295	222,471	281,465	303,037	51%
Caroline	n/a	103,210	109,223	124,725	14%
Carroll	169,073	226,317	249,711	236,653	46%
Cecil	149,963	158,523	200,066	220,467	54%
Charles	206,065	223,516	260,383	270,078	57%
Dorchester	107,886	109,725	130,629	124,393	24%
Frederick	209,856	260,937	294,873	256,292	60%
Garrett	n/a	n/a	150,366	156,408	75%
Harford	143,948	190,199	222,254	204,839	22%
Howard	249,380	353,795	526,637	447,885	55%
Kent	222,982	186,241	152,516	177,629	59%
Montgomery	376,209	575,761	945,725	499,593	72%
Prince George's	176,474	238,744	247,822	246,436	45%
Queen Anne's	n/a	165,428	244,301	192,725	37%
Somerset	n/a	46,975	53,178	56,257	-33%
St. Mary's	119,159	166,304	246,953	235,793	53%
Talbot	230,625	295,132	377,782	362,095	85%
Washington	123,405	155,673	176,192	165,832	38%
Wicomico	110,031	149,115	174,336	138,080	50%
Worcester	417,911	322,418	257,034	291,264	172%
Statewide Average	\$ 185,475	\$ 213,833	\$ 265,800	\$ 236,339	52%

Source: Maryland Department of Housing and Community Development

Construction Industry Trends

The U.S. Department of Commerce reported that in March construction spending increased by 1.5 percent. Private construction spending rose just 0.4 percent.

Single-family homebuilding rebounded from a 0.3 percent decline in February and grew 1.1 percent in March due to improved weather conditions. Multifamily construction remained surprisingly strong as it grew 2.7 percent in March.

Private nonresidential construction fell 0.2 percent in March due to declines in commercial construction (0.2 percent), utilities construction (4.9 percent), and manufacturing plant construction (3.8 percent). On

Construction Spending
March 2004
% Change from Last Month

Category	Change
Total Construction	1.5%
Private	0.4%
Residential	0.8%
Nonresidential	-0.2%
Public	5.2%

the bright side, public construction recorded the strongest gain of any major category, rising 5.2 percent in March on the weight of 9.8 percent growth in highway and street construction. ■



Residential Building Permits, Starts and Completions

Privately-owned housing units authorized by building permits increased sharply by 39.9 percent nationally to 184 million units in March due to historically low mortgage rates, low home inventories, and improved weather conditions.

Single-family authorization rose 42.4 percent to 147 million units while authorizations of multifamily structures increased 30.6 percent to 36 million units. Issued building permits for single and multifamily structures increased 29.2 percent in the South, which includes Maryland, Delaware, Washington, D.C., Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Louisiana, Arkansas and Texas. Single-family authorizations in the South rose 32.9 percent while multifamily authorizations increased 15.3 percent.

Building permits issued increased in Maryland 32.7 percent to 2,172 units. The increase in Maryland was also broad based as single-family building permits issued increased 35.3 percent and multifamily building permits increased 18.3 percent in March compared to February. Compared to March 2003, residential building permits issued were up 27.9 percent in the United States, 29.4 percent in the South, and 6.4 percent in Maryland.

New residential construction in the United States increased 40.1 percent to 171 million units in March due

Residential Construction
March 2004

County	Permits		Starts		Completions	
	Units	\$ Value ('000s)	Units	\$ Value ('000s)	Units	\$ Value ('000s)
Allegany	7	1,223	7	1,223	7	901
Anne Arundel	242	31,245	296	34,548	225	28,762
Baltimore	181	20,274	133	17,338	217	21,045
Baltimore City	93	6,449	11	1,434	3	391
Calvert	39	8,312	39	8,312	84	8,807
Caroline	15	2,282	15	2,282	20	2,484
Carroll	50	6,443	50	6,443	91	11,876
Cecil	115	14,085	104	13,277	89	12,841
Charles	73	13,098	73	13,098	104	17,696
Dorchester	42	8,124	30	4,124	17	2,391
Frederick	201	20,782	208	21,096	144	17,997
Garrett	28	5,439	28	5,439	36	6,862
Harford	75	10,303	99	13,343	160	21,915
Howard	149	19,078	144	18,772	65	8,474
Kent	20	2,993	20	2,993	12	2,003
Montgomery	307	26,533	314	28,125	258	31,975
Prince George's	116	44,435	116	44,435	39	6,080
Queen Anne's	36	5,102	36	5,102	20	4,014
Somerset	105	10,874	101	10,673	9	623
St. Mary's	7	923	7	923	44	5,713
Talbot	44	8,337	44	8,337	34	6,534
Washington	122	15,544	118	15,314	126	16,566
Wicomico	50	6,878	50	6,878	38	3,976
Worcester	55	10,336	83	12,056	54	7,322
Maryland	2,172	\$ 299,095	2,126	\$ 295,565	1,896	\$ 247,248

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Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

Sales of existing homes rose 41.5 percent nationally in March. The increase in existing home sales was widespread across the nation as sales increased by 36.4 percent in the South and 32.8 percent in Maryland in this month compared to February.

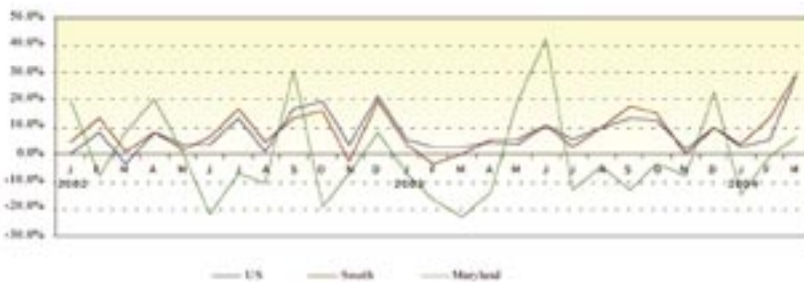
...Residential Building from page 3

to low interest rates and improved weather conditions. The increase in housing starts was broad based with 41.4 percent rise in single-family starts and 35.0 percent increase in multifamily starts. Housing starts increased in the South 36.2 percent in March compared to the previous month. Across product types, housing starts were up 34.3 percent for single-family and 44.6 percent for multifamily in the South. Housing starts rose in Maryland 35.8 percent to 2,126 units in March. Single-family housing starts increased 35.3 percent and multifamily starts jumped by 40 percent in this month. Compared to a year ago, housing starts were up 20.6 percent nationally, 22 percent in the South, but down 5.6 percent in Maryland.

According to U.S. Census Bureau estimates, privately-owned housing completions increased by 12.6

percent in March nationally compared to February. Single-family housing completions increased 22.9 percent while multifamily completions rose 14.2 percent. Housing completion increased 20.6 percent in the South in March. The increase in the South was across product types as single-family completion rose 17.1 percent while multifamily completions increased 41 percent. Following the housing market activity trend set in Maryland for the past several months, housing units completed declined 11.4 percent in March. The decline in housing units completed was much more concentrated in single-family structures as it declined 50 percent compared to 11.4 percent decline for multifamily units. Compared to a year ago, housing completions were up 8.1 percent nationally and 13.9 percent in the South, but down 27.6 percent in Maryland.

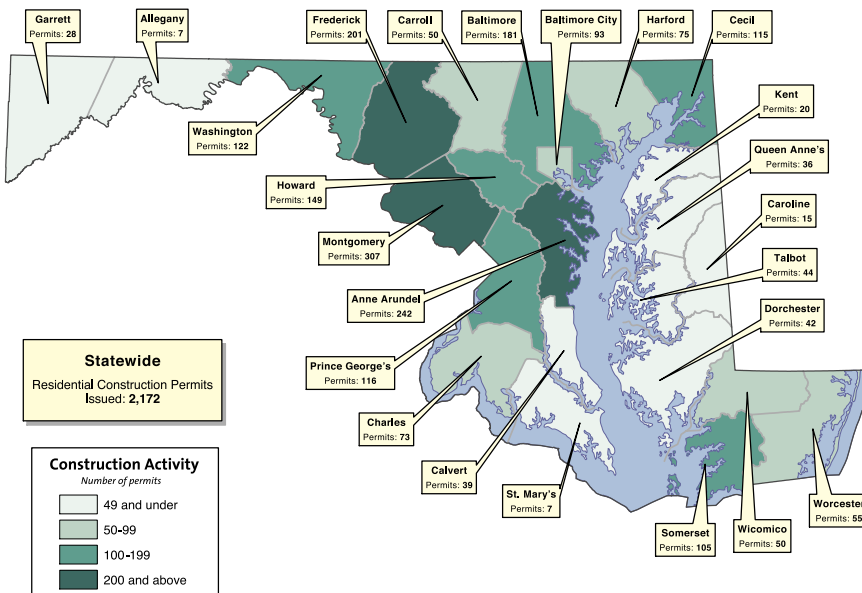
Residential Building Permits – All Units
Percent Change from Same Month Previous Year



Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

Following the housing market activity trend set in Maryland for the past several months, housing units completed declined 11.4 percent in March. The decline in housing units completed was much more concentrated in single-family structures as it declined 50 percent compared to 11.4 percent decline for multifamily units.

Residential Construction Permits
March 2004



Source: Maryland Department of Housing and Community Development

Across Maryland, the value of housing permits in March increased 39 percent to \$299 million. Overall, 19 Maryland jurisdictions reported gains in the number and value of building permits issued, including Allegany, Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Howard, Kent, Prince George's, Somerset, St. Mary's, Talbot, Washington and Wicomico counties and Baltimore City. Statewide, the value of housing starts increased 37.7 percent from February to \$296 million. Strong housing starts were reported in Allegany, Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Howard, Kent, Prince George's, Somerset, St. Mary's, Talbot, Washington and Wicomico counties and Baltimore City. The value of completed housing units in Maryland declined 7 percent to \$247 million in March. Only nine Maryland jurisdictions reported gains in the value of housing units completed in this month, including Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Queen Anne's and Washington counties. ■

Mortgage Rate Trends

The effective 30-year fixed mortgage rates (that is, rates that account for variations in fees and points) jumped in April.

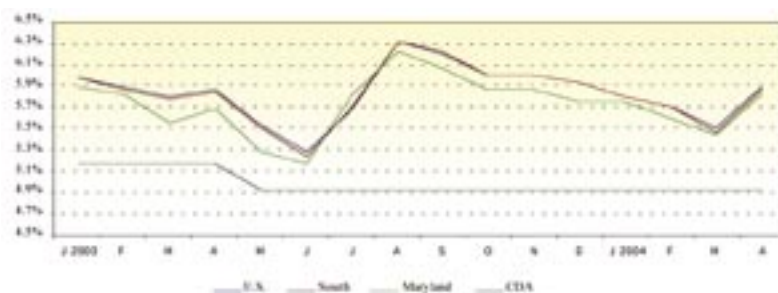
From March to April, Freddie Mac's 30-year effective fixed mortgage rate increased from 5.51 to 5.89 percent in the United States and to 5.87 percent in the South.

Maryland's 30-year fixed effective mortgage rate also increased to 5.82 percent in April from 5.44 percent in March. The Maryland commercial fixed mortgage rate is now seven basis points below the national rate.

The effective mortgage rate of the Community Development Administration (CDA), an arm of the Maryland Department of Housing and Community Development, remained unchanged at 4.95 percent. CDA's Maryland Mortgage Program (www.morehouse4less.com) provides low-interest mortgage loans to eligible

homebuyers with low- to moderate-income households through private lending institutions throughout the State. The program began in 1980 and is targeted primarily to first-time homebuyers. The CDA's effective rate is now 89 basis points below the average effective commercial mortgage rates in Maryland. ■

30-Year Fixed Mortgage Rates



Source: Freddie Mac & Maryland Department of Housing and Community Development

Home Sale Trends

New Homes

New home sales increased by 17.6 percent nationally to 120,000 units in March. Low interest rates combined with improved weather conditions were the primary stimulus for the jump in sales. Strong demand is rendering the market for new homes very tight as the seasonally adjusted inventory-to-sales ratio fell to 3.7 months, near a record low. March sales of new homes also remained very strong in Maryland and in the South as sales were up by 16.8 percent and 31.1 percent, respectively, compared to February. On the year-to-year basis, new home sales were up 22.4 percent nationally, 25.5 percent in the South, and 20.1 percent in Maryland.

Existing Homes

Existing home sales rose 41.5 percent nationally in March to 525,000 units. Low mortgage interest rates, a strengthening job market, and perceptible income growth are key factors in driving demand for homes. Furthermore, inventories are still tight nationally, as March inventory is at 4.4 months in this month compared to 4.7 months in March 2003.

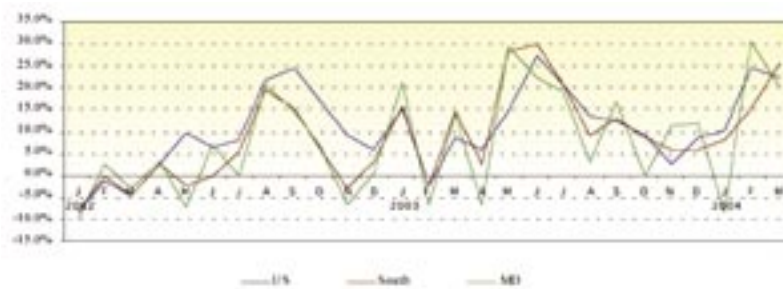
The increase in existing home sales was widespread across the nation as sales increased by 36.4 percent in the South and 32.8 percent in Maryland in March compared to February. Compared to a year ago, sales

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New Home Sales

Percent Change from Same Month Previous Year



Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

Existing Home Sales

Percent Change from Same Month Previous Year



Source: U.S. Census Bureau & Maryland Association of Realtors

March sales of new homes remained very strong in Maryland as sales increased by 17.6 percent compared to February. New home sales also increased by 5.8 percent nationally and by 31.1 percent in the South.



The effective 30-year average fixed mortgage rates in April jumped to 5.89 percent nationally, 5.87 percent in the South, and 5.82 percent in Maryland. The Maryland commercial fixed mortgage rate is now seven basis points below the national rate.

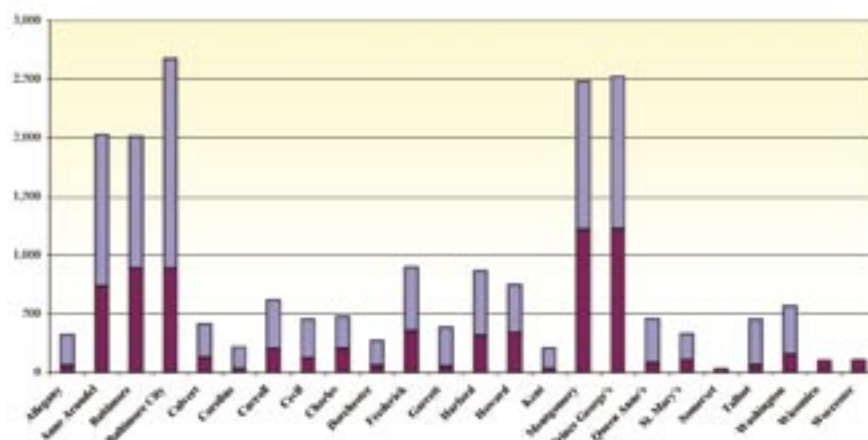
...Home Sale Trends from page 5

were up 18.2 percent nationally, 17.3 percent in the South, and 12.3 percent in Maryland.

In March, the inventory of housing units available for sale totaled 12,198 units statewide, down 14.6 percent from a year ago, and down 2.4 percent from the previous month. A total of 7,458 housing units were sold in Maryland, up 12.3 percent from last year and 32.8 percent from the previous month. The number of units sold represents 61.1 percent of the available inventory. The

largest inventory of existing homes was in Baltimore City, where 1,790 houses were available and 888 were sold, about 49.6 percent of the inventory. The smallest inventory was in Kent County, where 178 houses were offered and only 29 units were sold, about 16.3 percent of the inventory. Prince George's County, with 1,220 units, and Kent County, with 29 units had the highest and lowest numbers of home sales in Maryland. Complete data is not available for Somerset, Wicomico and Worcester counties. ■

Real Estate Transactions



Source: Maryland Association of Realtors

Housing Units Sold and Housing Units Inventory March 2004

County	Housing Units Sold			Housing Units Inventory		
	Current Month	Change from Last Year	Change From Last Month	Current Month	Change From Last Year	Change From Last Month
Allegany	57	18.8%	42.5%	263	-19.1%	-3.0%
Anne Arundel	733	20.8%	36.2%	1,293	-6.9%	0.2%
Baltimore	888	10.9%	33.5%	1,123	-51.4%	-1.7%
Baltimore City	888	8.2%	24.2%	1,790	-22.5%	-10.2%
Calvert	123	-2.4%	10.8%	294	-24.6%	5.0%
Caroline	33	-15.4%	65.0%	184	6.4%	7.0%
Carroll	195	-4.9%	40.3%	422	-6.8%	-4.1%
Cecil	119	52.6%	65.3%	332	-2.6%	-5.4%
Charles	205	21.3%	25.0%	274	-22.4%	11.4%
Dorchester	56	93.1%	86.7%	216	-7.7%	-13.6%
Frederick	355	12.0%	36.5%	544	-13.1%	-3.2%
Garrett	53	47.2%	120.8%	333	24.7%	12.9%
Harford	311	19.2%	52.5%	559	6.1%	5.7%
Howard	339	0.6%	46.8%	409	-17.4%	-3.3%
Kent	29	16.0%	70.6%	178	14.8%	10.6%
Montgomery	1,218	11.0%	35.9%	1,268	-26.1%	-1.9%
Prince George's	1,220	13.0%	23.1%	1,307	-24.2%	-13.2%
Queen Anne's	79	58.0%	113.5%	376	24.5%	10.3%
St. Mary's	103	-7.2%	6.2%	222	-12.3%	21.3%
Somerset	33	371.4%	175.0%	0	0.0%	0.0%
Talbot	60	27.7%	66.7%	394	16.2%	7.4%
Washington	149	13.7%	20.2%	417	-12.2%	4.8%
Wicomico	105	64.1%	41.9%	0	0.0%	0.0%
Worcester	107	-32.3%	-11.6%	0	0.0%	0.0%
Maryland	7,458	12.3%	32.8%	12,198	-14.6%	-2.4%

Source: Maryland Association of Realtors

Homeownership Affordability Indices

The Maryland homeownership affordability indices for repeat and first-time homebuyers provides a framework within which housing affordability in Maryland counties and Baltimore City can be traced over time.

In March, the Maryland affordability index for repeat buyers was 138, signifying the ability of a typical repeat buyer to afford a house that is 38 percent more expensive than a median priced home. The Maryland affordability index for first-time buyers stood at 94, indicating that the typical first-time buyer could only afford a home priced 6 percent below the median priced home available to first-time buyers. Homebuyers' ability to buy a median priced home in Maryland declined in March as the statewide index was down 1.7 percent from February. The decline in the affordability indices resulted from an increase of house prices, despite a small decline in mortgage interest rates. The median sale price of existing

homes available to repeat buyers and first-time buyers in Maryland increased by 4.2 percent to \$210,583 and \$178,996, respectively, in March compared to February.

Across the State, Montgomery County had the highest median housing price of \$324,140 for repeat buyers and \$275,519 for first-time buyers, up 19.6 percent from a year ago and 5.2 percent from the previous month. However, Worcester County was the least affordable jurisdiction in Maryland with homeownership affordability indices of 70 for repeat buyers and 47 for first-time buyers. The median housing prices in Worcester County in March were \$310,000 for repeat buyers and \$263,500 for first-time buyers. Somerset County, on the other hand, with the housing affordability indices of 282 for repeat home buyers and 191 for first-timers, was the most affordable jurisdiction in Maryland. The median housing prices for Somerset County were \$57,000 for repeat buyers and \$48,450 for first-time buyers. ■

Home Sale Prices and Affordability Indices
March 2004

County	MEDIAN HOME SALE PRICES				HOUSING AFFORDABILITY INDICES			
	Current Month				Current Month			
	Repeat Buyers	First Time Buyers	Change From Last Year	Change From Last Month	Repeat Buyers	First Time Buyers	Change From Last Year	Change From Last Month
Allegany	\$ 65,000	\$ 55,250	2.5%	30.3%	251	171	4.0%	-21.4%
Anne Arundel	242,000	205,700	24.1%	3.0%	151	103	-12.7%	-0.6%
Baltimore	168,450	143,183	18.6%	2.1%	158	108	-10.4%	0.3%
Baltimore City	82,500	70,125	25.2%	10.0%	172	117	-16.8%	-6.9%
Calvert	239,026	203,172	15.5%	18.3%	166	113	-6.0%	-13.6%
Caroline	134,900	114,665	-2.9%	10.1%	147	100	8.8%	-7.0%
Carroll	265,000	225,250	27.4%	11.6%	131	89	-15.5%	-8.2%
Cecil	199,900	169,915	43.1%	11.1%	145	98	-24.5%	-7.8%
Charles	224,000	190,400	23.8%	4.2%	153	104	-13.7%	-1.7%
Dorchester	116,500	99,025	-6.4%	26.0%	158	107	13.8%	-18.7%
Frederick	232,500	197,625	25.3%	5.1%	148	101	-13.9%	-2.6%
Garrett	225,900	192,015	-1.6%	26.0%	70	48	6.4%	-18.7%
Harford	173,000	147,050	13.8%	2.4%	186	127	-5.6%	0.0%
Howard	275,000	233,750	20.3%	-0.1%	157	107	-10.2%	2.6%
Kent	134,900	114,665	3.8%	-30.8%	141	96	0.7%	48.0%
Montgomery	324,140	275,519	19.6%	5.2%	121	83	-10.8%	-2.6%
Prince George's	192,000	163,200	16.4%	1.1%	156	106	-8.4%	1.4%
Queen Anne's	255,000	216,750	13.6%	19.3%	127	86	-5.8%	-14.2%
St. Mary's	212,000	180,200	11.6%	1.8%	134	91	-4.8%	0.6%
Somerset	57,000	48,450	-39.4%	14.0%	282	191	76.1%	-10.2%
Talbot	253,750	215,688	49.3%	-24.6%	87	59	-29.2%	35.8%
Washington	149,900	127,415	11.0%	-11.6%	139	94	-5.1%	15.8%
Wicomico	150,000	127,500	28.2%	4.2%	134	91	-17.3%	-1.7%
Worcester	310,000	263,500	40.9%	6.9%	70	47	-24.3%	-4.2%
Maryland	\$ 210,583	\$ 178,996	19.4%	4.2%	138	94	-10.5%	-1.7%

...Homeownership Affordability Indices continues on back cover



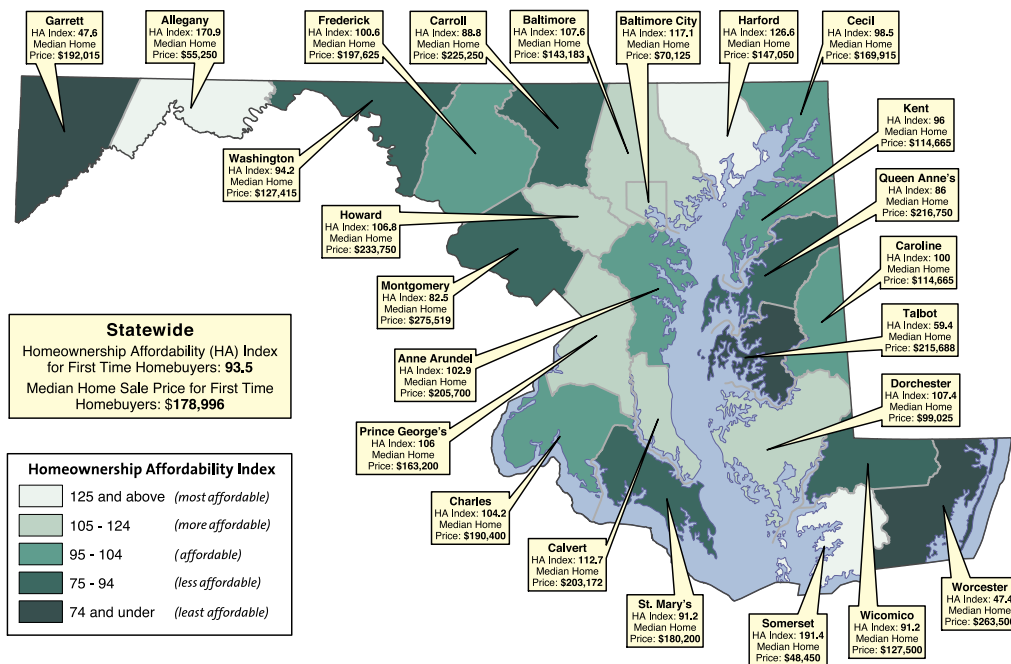
From February to March the Maryland affordability index for repeat buyers declined from 140 to 138 and for first-time buyers from 95 to 94. The declining affordability indices are due to increases in house prices more than compensated declining mortgage interest rates and strengthening income.



Source: Maryland Department of Housing and Community Development

Affordability Index for First-Time Homebuyers

March 2004



Source: Maryland Department of Housing and Community Development



...National Economic Digest from cover

considerable increase in national defense spending as it grew by 5.1 percent, compared with an increase of 3 percent in the last quarter of 2003.

The Federal Reserve Board's latest economic activity report—commonly known as the Beige Book—reports economic activity increasing nationwide from mid-February through early April. The Beige Book reported that overall, economic expansion is broadening, resulting in tightening of labor market conditions and modest increases in wages and salaries. As a result of improving job markets, consumer spending has remained strong. Because of an improving economy, commodity and input prices are rising rapidly. Even with the rising costs of building materials, home sales and residential construction activity remained elevated.

The Chicago Fed National Activity Index registered a 0.17 reading in March reaffirming strengthening of the U.S. economy. The index shows that recent increases in mortgage rates have yet to derail the U.S. homebuilding activity as financing costs for a new home are still very low and banks remain lending-friendly. The data shows that multifamily construction has remained surprisingly consistent, even with record-high vacancy rates and the loss of potential renters to the new home

market. Instead, builders are counting on favorable demographic trends, the inevitable rise in interest rates, and a stronger job market for potential renters.

Consumer Confidence is Mixed

The Conference Board's Consumer Confidence Index increased 4.4 points in April with improvement in four out of five components of the index. Only consumers' assessment of income prospects weakened. By contrast, consumers' assessments of the labor markets improved as fewer consumers think jobs are hard to get. Consumers also became more optimistic about both present and expected business conditions in April. Buying plans for cars reversed some of the March decline while buying plans for homes declined in light of recent increases in interest rates.

The University of Michigan's Consumer Sentiment Index declined by 1.6 points in April with both components of the index (the present conditions component and the expectation component) declining from March. The decline was puzzling given the improvement in labor markets and consumers' cash flow. However, from a broader perspective, the decline was small enough to be discounted. ■



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